



U.S. Department of Justice

Southern District of Indiana

United States Attorney

10 West Market Street

(317)226-6333

Suite 2100

Indianapolis, Indiana 46204-3048

TDD (317)226-5438

FAX NUMBERS:

Criminal (317)226-6125

Administration (317)226-5176

Civil (317)226-5027

FLU (317) 226-6133

OCDETF (317)226-5953

October 13, 2005

CONTACT PERSON:

TIMOTHY M. MORRISON

Acting United States Attorney

(317) 226-6333

FOR IMMEDIATE RELEASE:

**FORMER CORPORATE OFFICER CHARGED WITH
SECURITIES FRAUD**

PRESS RELEASE

Timothy M. Morrison, Acting United States Attorney for the Southern District of Indiana, announced that JOHN DELANEY, Indianapolis, Indiana, was charged by information today with Securities Fraud, following an investigation by the FBI and the Postal Inspection Service.

The charge alleges that, in 1998 and 1999, JOHN DELANEY was the Corporate Controller and Chief Accounting Officer of Brightpoint, Inc., a public company with its principal place of business in Indianapolis, Indiana. In October 1998, Brightpoint issued a press release announcing it was going to lose between \$13 to \$18 million due to closing its

operations in the United Kingdom. Within weeks of issuing that press release it realized it would lose up to \$30 million on closing the UK operations.

In December, as it's fiscal year public audit was approaching, Brightpoint's risk managers contacted AIG, an insurance company headquartered in New York, to see if AIG could provide it insurance for the UK losses that had not been disclosed in the October press release. The advantage of insurance was that any insurance recovery for Brightpoint would offset its losses in its income statement, while it could amortize the premiums over the life of the insurance policy. Within a matter of days AIG declined to provide insurance for those losses because the amount of the losses was too well defined, so there was no risk for AIG to assume. However, JOHN DELANEY, and Timothy Harcharik, who is charged in an Indictment for obstruction of justice, and representatives of AIG, worked out an agreement in which Brightpoint would pay AIG money, and AIG would pay Brightpoint's money back to Brightpoint, after Brightpoint submitted its UK losses to AIG under the guise of insurance claims. The agreement was thus really nothing more than a "round trip of cash." The agreement was commingled with an actual insurance policy to make the entire agreement appear to be insurance. The information alleges that JOHN DELANEY knew the operative part of the agreement was not insurance because no risk transferred from Brightpoint to AIG, but he accounted for it in Brightpoint's books, records and accounts as if it were insurance, which had a material effect on Brightpoint's income for 1998. When all the details of the agreement came to light after an investigation by the SEC, Brightpoint restated its earnings for 1998 treating the agreement as a round trip of cash and not insurance, thus negating any benefit of the agreement.

According to Assistant United States Attorney Winfield Ong, who is prosecuting the case for the government, JOHN DELANEY faces a maximum possible prison sentence of 10 years and a fine of \$1,000,000. An initial hearing will be scheduled before a United States Magistrate Judge in Indianapolis.

The Information is an allegation only, and the defendant is presumed innocent unless and until proven guilty at trial or by guilty plea.

###

20051013.delaney.wcf.wpd